

## Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 LONDON 01862 01 OF 03 061109Z

20

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 IO-10 ISO-00

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01

RSC-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01 TRSE-00

PRS-01 SP-02 OMB-01 NSCE-00 SSO-00 USIE-00 INRE-00

/120 W

----- 051666

O R 061056Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8005

INFO AMEMBASSY CANBERRA

AMEMBASSY LA PAZ

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY NAIROBI

AMEMBASSY MONROVIA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 01862 01 OF 03 061109Z

AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

AMEMBASSY COTONOU  
AMEMBASSY LIBREVILLE  
AMEMBASSY ABIDJAN  
AMEMBASSY TANANARIVE  
AMEMBASSY LOME  
AMEMBASSY PANAMA  
AMEMBASSY ASUNCION  
AMEMBASSY LIMA  
AMEMBASSY ALGIERS  
AMEMBASSY LISBON  
AMEMBASSY KIGALI  
AMEMBASSY FREETOWN  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY CARACAS  
AMEMBASSY KINSHASA  
AMEMBASSY LAGOS  
AMCONSUL LUANDA  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 03 LONDON 01862

FOR O'DONNELL, EB/TRP

E.O. 11652: GDS

TAGS: OCON, ETRD, UK

SUBJ: COFFEE: WRAP-UP ON SECOND SERIES OF ICO/WG  
MEETINGS

REF: (A) LONDON 1686; (B) LONDON 1415; (C) LONDON 1222;  
(D) STATE 25754

1. SUMMARY-INTRODUCTION. THE SECOND SERIES OF MEETINGS  
OF THE INTERNATIONAL COFFEE ORGANIZATION WORKING GROUP  
ON NEGOTIATION OF A NEW COFFEE AGREEMENT (ICO/WG) WAS  
HELD IN LONDON, JANUARY 20-31, FOCUSING PRIMARILY ON  
PRICE ISSUES AND THE SUPPLY/DEMAND SITUATION. EXCEPT  
FOR A BRIEF FLAP OVER A STATEMENT ISSUE BY THE HEAD OF  
THE MEXICAN DEL, MEETINGS WERE GENERALLY WORKMANLIKE,  
CONFIDENTIAL  
CONFIDENTIAL

PAGE 03 LONDON 01862 01 OF 03 061109Z

BUT PROGRESS WAS MADE ONLY ON SKETCHING THE BAREST  
OUTLINES OF WHAT MIGHT GO INTO A NEW COFFEE AGREEMENT  
(ICA). CONSUMERS' POSITIONS APPEARED TO BE REASONABLY  
CLOSE, WHILE THERE WERE SOME INDICATIONS THAT PRODUCERS  
HAVE MADE LESS PROGRESS. AMONG LATTER GROUP, BRAZIL  
AND OAMCAF PLAYED CONSTRUCTIVE ROLE BOTH IN PLENARIES  
AND BEHIND THE SCENES, WHILE COLOMBIA WAS CONSPICUOUS  
FOR ITS SILENCE. THIS CABLE RECAPS HIGHPOINTS AND  
SUGGESTS TENTATIVE ASSESSMENTS. END SUMMARY.

2. THIS WAS THE SECOND SERIES OF MEETINGS OF THE ICO/WG. INTENT AT THIS POINT WAS NOT TO BEGIN ACTUAL DRAFTING PROCESS, BUT TO ATTEMPT SOME BASIC ANALYSIS OF THE COFFEE SITUATION AND TO IDENTIFY IN BROADSTROKE THOSE AREAS WHERE CONSENSUS MIGHT BE REACHED BETWEEN COFFEE PRODUCER AND CONSUMER NATIONS. THE WG, WHICH CONSISTS OF THE MEMBERS OF THE ICO EXECUTIVE BOARD PLUS COSTA RICA AND PORTUGAL FOR THE PRODUCERS AND THE NETHERLANDS AND SWEDEN FOR THE CONSUMERS CONSTITUTED SELF INTO TWO SUB-GROUPS TO FACILITATE ITS WORK, ONE ON SUPPLY AND DEMAND AND THE OTHER ON PRICES. DURING THE COURSE OF THE MEETINGS, PARALLEL MEETINGS OF OTHER BODIES OF THE ICO WERE BRIEFLY HELD TO CONSIDER THE INDICATOR PRICE PROBLEM (BELOW). HIGHPOINTS WERE:

(A) OBJECTIVES OF NEW ICA. ANY NEW ICA SHOULD BE BALANCED (I.E., SPEAK MORE OR LESS EQUALLY TO CONCERNS OF BOTH PRODUCERS AND CONSUMERS) AND ITS OBJECTIVES SHOULD BE SIMILAR TO THOSE OF THE 1968 AGREEMENT, BUT IN CONTEXT OF A CHANGED WORLD ECONOMIC AND COFFEE SITUATION.

(B) WG SUB-GROUP ON SUPPLY/DEMAND. ROUGH BALANCE BETWEEN PRODUCTION AND CONSUMPTION IS LIKELY OVER THE NEXT SEVERAL YEARS, WITH MORE OF A TENDENCY TOWARD OVER THAN UNDER PRODUCTION. THIS SHOULD FACILITATE BUILD UP OF RESERVE STOCKS, BARRING A RECURRENCE OF SERIOUS FROST DAMAGE IN BRAZIL.

(C) WG SUB-GROUP ON PRICES. ALTHOUGH EXPRESSING UNANIMOUS SUPPORT FOR THE NOTION OF "AUTOMATIC PERIODIC (PRICE) ADJUSTMENT"--READ INDEXATION--THE PRODUCERS DID

CONFIDENTIAL  
CONFIDENTIAL

PAGE 04 LONDON 01862 01 OF 03 061109Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 01862 02 OF 03 061112Z

20

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 IO-10 ISO-00

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01

RSC-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01 TRSE-00

PRS-01 SP-02 OMB-01 NSCE-00 SSO-00 USIE-00 INRE-00

/120 W

----- 051693

O R 061056Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8006

INFO AMEMBASSY CANBERRA

AMEMBASSY LA PAZ

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY NAIROBI

AMEMBASSY MONROVIA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 01862 02 OF 03 061112Z

AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

AMEMBASSY COTONOU

AMEMBASSY LIBREVILLE

AMEMBASSY ABIDJAN

AMEMBASSY TANANARIVE

AMEMBASSY LOME

AMEMBASSY PANAMA

AMEMBASSY ASUNCION

AMEMBASSY LIMA

AMEMBASSY ALGIERS

AMEMBASSY LISBON

AMEMBASSY KIGALI  
AMEMBASSY FREETOWN  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY CARACAS  
AMEMBASSY KINSHASA  
AMEMBASSY LAGOS  
AMCONSUL LUANDA  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 02 OF 03 LONDON 01862

NOT SERIOUSLY PUSH THE ISSUE. IN FACT, BRAZIL WAS INSTRUMENTAL IN STEERING THE DISCUSSION AWAY FROM CONFRONTATION OVER INDEXATION REF (A). CONSUMERS IN EFFORT TO SPEAK TO CONCERNS OF PRODUCERS GAVE ASSURANCES THAT PRICES SHOULD BE "REMUNERATIVE" AND THAT ANY NEW ICA SHOULD HAVE FLEXIBLE PRICE PROVISIONS, WITH PERIODIC REVIEW AND REVISION OF PRICE OBJECTIVES IF NEEDED. WORLD INFLATION AND CURRENCY PARITIES WERE MENTIONED AS FACTORS WHICH SHOULD BE TAKEN INTO ACCOUNT DURING REVIEWS, ALONG WITH WORLD COFFEE MARKET CONSIDERATIONS SUCH AS DEMAND TRENDS AND THE SUPPLY SITUATION. IN GENERAL, PRODUCER REACTION TO THIS WAS FAVORABLE. CONSUMERS APPEARED UNANIMOUS IN THE BELIEF THAT "AUTOMATICITY," WHETHER VIA A TERMS OF TRADE LINKAGE OR SOME OTHER INDEXING DEVICE WAS NOT NEGOTIABLE. THERE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 01862 02 OF 03 061112Z

WAS SENTIMENT AMONG PRODUCERS (PARTICULARLY OAMCAF) FOR EXPRESSING PRICE REFERENCES IN A DIFFERENT UNIT OF ACCOUNT THAN THE DOLLAR, BUT THIS DID NOT APPEAR TO HAVE MAJORITY SUPPORT.

(D) SUPPLY MANAGEMENT. PRICE OBJECTIVES SHOULD BE ACHIEVED THROUGH SUPPLY MANAGEMENT, PROBABLY THROUGH A QUOTA SYSTEM NOT ESSENTIALLY DISSIMILAR TO THE ONE UNDER OLD AGREEMENTS. THERE WAS CONSIDERABLE INTEREST IN COMBINING QUOTAS WITH A BUFFER OR RESERVE STOCK OPERATION. A TRADITIONAL BUFFER STOCK OPERATION WAS NOT SERIOUSLY DISCUSSED; RATHER ATTENTION FOCUSED ON A SYSTEM WHEREBY MINIMUM PRICES WOULD BE DEFENDED BY QUOTA REDUCTIONS AND PRICE CEILINGS BY QUOTA INCREASES AND STOCKPILE RELEASES. THE PORTUGUESE PLAN WHICH WOULD RELY UPON STOCKPILE MANAGEMENT AS THE ONLY TOOL RECEIVED SOME PRAISE FROM BRAZIL BUT OTHERWISE LITTLE ATTENTION DURING THIS SERIES OF MEETINGS. THERE WAS WIDE SUPPORT FOR PLACING BOTH MEMBERS AND NON-MEMBERS UNDER QUOTA. THE "NEW MARKET" CONCEPT OF PLANNED PRICE

DIFFERENTIALS TO ENCOURAGE CONSUMPTION IN COUNTRIES WITH LOW CONSUMPTION RATES WAS TOTALLY REJECTED.

(E) INDICATOR PRICES. IT WAS AGREED THAT CONSIDERATION OF THIS QUESTION LOGICALLY SHOULD BE DIVIDED INTO TWO PARTS: (I) IMPROVEMENTS TO THE SYSTEM IN CONTEXT OF THE EXISTING ICA, AND (II) CONSIDERATION OF THE KIND OF SYSTEM NEEDED UNDER ANY NEW ICA. PART (II) WAS DEFERRED TO A LATER WG MEETING. PART (I) WAS NOT CONSIDERED BY THE WG BUT BY THE STATISTICAL GROUP OF THE EXECUTIVE BOARD AND THE BOARD ITSELF. IN ESSENCE, IT WAS DECIDED THAT THE PRESENT SYSTEM SHOULD NOT BE CHANGED AT THIS TIME BUT THAT THE DATA COLLECTION AND COLLATION AGENCY IN NEW YORK SHOULD BE AUTHORIZED TO EXTEND ITS PRICE SAMPLING TO INCLUDE BOTH PRODUCER REPS IN NEW YORK AND COFFEE ROASTERS. A STATISTICAL STUDY BY THE PAN AMERICAN COFFEE BUREAU WAS AUTHORIZED AS A CONTROL CHECK ON THE RELIABILITY OF THE EXISTING SYSTEM.

3. ASSESSMENT. AS ANTICIPATED, MORE TIME WAS SPENT DURING THIS SERIES OF MEETINGS ON EXPLORING SAFE AREAS THAN ON COMING TO GRIPS WITH WITH HARD ROCK PROBLEMS. THIS WAS ILLUSTRATED BY THE GENERALIZED TREATMENT OF  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LONDON 01862 02 OF 03 061112Z

THE PRICE OBJECTIVES ISSUE. NEVERTHELESS, THE PRICE DISCUSSION MAY HAVE SET PARAMETERS FOR FUTURE DISCUSSIONS, SUGGESTING THAT THE PRODUCERS--OR MOST OF THEM--ARE WILLING TO TAKE A REALISTIC APPROACH TO WHAT IS POSSIBLE IN CONTRAST TO WHAT THEY THINK--OR SAY THEY THINK--IS DESIRABLE. THE QUESTION IS, HOW RAPIDLY WILL THE WG BE WILLING AND ABLE TO WORK TOWARDS PRECISE DEFINITIONS?

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 01862 03 OF 03 061117Z

20

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 IO-10 ISO-00

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01

RSC-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01 TRSE-00

PRS-01 SP-02 OMB-01 NSCE-00 SSO-00 USIE-00 INRE-00

/120 W

----- 051779

O R 061056Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8007

INFO AMEMBASSY CANBERRA

AMEMBASSY LA PAZ

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY NAIROBI

AMEMBASSY MONROVIA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 01862 03 OF 03 061117Z

AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

AMEMBASSY COTONOU

AMEMBASSY LIBREVILLE

AMEMBASSY ABIDJAN

AMEMBASSY TANANARIVE

AMEMBASSY LOME

AMEMBASSY PANAMA

AMEMBASSY ASUNCION

AMEMBASSY LIMA

AMEMBASSY ALGIERS

AMEMBASSY LISBON  
AMEMBASSY KIGALI  
AMEMBASSY FREETOWN  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY CARACAS  
AMEMBASSY KINSHASA  
AMEMBASSY LAGOS  
AMCONSUL LUANDA  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 03 OF 03 LONDON 01862

STOCK POLICY IS ANOTHER AREA WHICH WILL CALL FOR DEFINITION AND FAIRLY RAPID DECISION. MAJORITY OPINION SEEMS TO BE LEANING TOWARD SOME SORT OF INTERNATIONALIZED RESERVE STOCK SYSTEM.

4. THROUGHOUT THIS SERIES OF MEETINGS THERE WAS NOTABLE AGREEMENT AMONG CONSUMERS ON MOST ISSUES, WHETHER IN CAUCUS OR IN PLENARY. NO SIGNIFICANT DIFFERENCES EMERGED. AS THE FRENCH REP (GALLO) DESCRIBED IT: "I WAS INSTRUCTED TO OCCUPY THE MIDDLE OF THE BOAT--IT'S CROWDED HERE." ON BALANCE, CONSUMER PARTICIPATION WAS MORE OPEN AND CONSTRUCTIVE THAN WAS THE CASE WITH PRODUCERS.

5. THERE SEEMED TO BE LESS CONSENSUS AMONG PRODUCERS.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 01862 03 OF 03 061117Z

BRAZIL (RAFFAELLI AND LIMA) AND OAMCAF (N'DIA AND N'DI) WERE CONSTRUCTIVE ELEMENTS. COLOMBIA (GOMEZ) CONTRIBUTED NOTHING TO SUBSTANTIVE DISCUSSION AND REPORTEDLY IN DISCUSSIONS WITH OTHER PRODUCERS MORE THAN ONCE QUESTIONED US MOTIVES. DESPITE CONTINUED FRAGMENTATION, WE THINK THE PRODUCERS ARE SLIGHTLY CLOSER TOGETHER AND MORE FAVORABLY DISPOSED TO NEGOTIATING IN EARNEST THAN AT THE BEGINNING OF THE YEAR. COLOMBIA'S MOTIVES ARE STILL SUSPECT, BUT DOUBTS ABOUT THE GOOD FAITH OF BRAZIL TOWARD THE TALKS SEEM TO HAVE RECEDED. WORSENING MARKET CONDITIONS, RATHER THAN FORCING THE PRODUCERS TO THE BARGAINING TABLE, MAY HAVE TEMPORARILY ADDED TO THEIR INDECISION. PERHAPS OPPORTUNITIES WILL ARISE IN BOCA RATON LATER THIS WEEK AND IN EL SALVADOR FOR THEM TO SORT OUT THEIR CONFUSION.

SPIERS



CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, INTERNATIONAL ORGANIZATIONS, TRADE AGREEMENTS, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LONDON01862  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750043-0879  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750267/aaaaciak.tel  
**Line Count:** 438  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 8  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 LONDON 1686, 75 LONDON 1415, 75 LONDON 1222  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 JUN 2003 by SmithRJ>; APPROVED <11 JUN 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COFFEE: WRAP-UP ON SECOND SERIES OF ICO/WG MEETINGS  
**TAGS:** OCON, ETRD, UK, ICO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006